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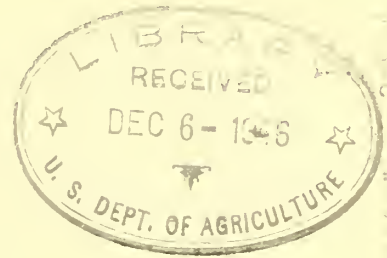
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NOTE

The brief article on Wartime Control of Agricultural Trade and Production (in the present belligerent countries) is the first of a series on that subject. Future articles will be devoted to separate country studies, beginning probably with the United Kingdom, the outstanding foreign market for United States agricultural products.

C O N T E N T S

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|                                                                               | Page |
|-------------------------------------------------------------------------------|------|
| WARTIME CONTROL OF AGRICULTURAL TRADE AND PRODUCTION IN BELLIGERENT COUNTRIES | 501  |
| Main Features of Wartime Control . . . . .                                    | 503  |
| Import Control . . . . .                                                      | 503  |
| Export Control . . . . .                                                      | 503  |
| Foreign Exchange Control . . . . .                                            | 504  |
| Control of Stocks . . . . .                                                   | 504  |
| Price Control . . . . .                                                       | 504  |
| Rationing of Foodstuffs . . . . .                                             | 505  |
| Government Control of Agriculture . . . . .                                   | 506  |
| The United Kingdom . . . . .                                                  | 506  |
| France . . . . .                                                              | 507  |
| Germany . . . . .                                                             | 507  |
| Contraband and Blockade . . . . .                                             | 508  |
| THE AUSTRALIAN WHEAT INDUSTRY ASSISTANCE SCHEME . . . . .                     | 509  |
| Origin and Development of the Scheme . . . . .                                | 509  |
| State Legislation Complementary to Commonwealth Acts . . . . .                | 510  |
| Objectives of the New Scheme . . . . .                                        | 510  |
| Excise and Bounty Features of the Scheme . . . . .                            | 511  |
| Commonwealth Wheat Industry Assistance Act . . . . .                          | 512  |
| Wheat Industry Stabilization Fund . . . . .                                   | 512  |
| Advances From Consolidated Revenue Fund . . . . .                             | 515  |
| Suspension of Payments to States . . . . .                                    | 515  |
| Commonwealth Flour Tax Assessment Act . . . . .                               | 515  |
| General Features of Taxation Measures . . . . .                               | 516  |
| Flour Tax Act . . . . .                                                       | 517  |
| Flour Tax (Stocks) Act . . . . .                                              | 517  |
| Exemption From Flour Tax Acts . . . . .                                       | 518  |
| Flour Tax (Imports and Exports) Act . . . . .                                 | 518  |
| Complementary State Legislation . . . . .                                     | 520  |
| New South Wales Wheat Products Act . . . . .                                  | 520  |
| New South Wales Wheat Industry Stabilization Act . . . . .                    | 522  |
| General Observations . . . . .                                                | 522  |
| THE LIVESTOCK INDUSTRY IN VENEZUELA . . . . .                                 | 525  |
| Natural Resources . . . . .                                                   | 526  |
| The Livestock Industry . . . . .                                              | 527  |
| The Future of the Cattle Industry . . . . .                                   | 532  |
| RECENT DEVELOPMENTS IN FOREIGN AGRICULTURAL POLICY . . . . .                  | 539  |
| Argentina Suspends Wheat and Flaxseed Price Guaranty . . . . .                | 539  |
| Netherlands Indies Rice Policy . . . . .                                      | 540  |
| British Food Production Campaign Utilizes Garden Plots . . . . .              | 541  |
| Ireland to Expand Food Production . . . . .                                   | 541  |

## WARTIME CONTROL OF AGRICULTURAL TRADE AND PRODUCTION IN BELLIGERENT COUNTRIES . . . . .

By Harry L. Franklin\*

*The present war in Europe has been characterized from the outset by strict government control of international trade and, to a lesser extent, of production, prices, and consumption. Although it is too early to evaluate the effects of these controls on the agricultural trade of the United States, it is nevertheless important to know how extensive these new obstacles are because of the importance of the belligerents as markets for American agricultural surpluses.*

The assurance of adequate supplies of food in wartime is of paramount importance, as the World War demonstrated when the Allied blockade of Germany developed into one of the principal factors in that country's ultimate collapse and defeat. Today, Germany is dependent upon imports for approximately 13 percent of its total food requirements, or only slightly less than before the World War (20 percent for 1909-1913), whereas Great Britain depends on imports for about 60 percent of its total food requirements. France is agriculturally the most self-sufficient of the present belligerents, but nevertheless is dependent to some extent on outside sources of supply. Also of great importance in wartime is the assured supply of adequate quantities of agricultural products other than foodstuffs; namely, fibers and feed-stuffs.

Control of imports, exports, prices, and stocks of agricultural commodities has existed in Germany in varying but increasingly comprehensive degree since the establishment of the National Socialist dictatorship in 1933. Similar action has been authorized in the United Kingdom under the Emergency Powers (Defense) Act of August 24, 1939, and subsequent legislation, and a fairly comprehensive control system is now operating. This applies to France to a less extent.

Of the present belligerents, Germany established Government control of agriculture in the fall of 1933, largely in order to achieve the maximum degree of food self-sufficiency possible, in line with the National Socialist regime's vast rearmament program. Although the United Kingdom established the Food (Defense Plans) Department at the end of 1936, Government control of British agriculture was not authorized until August 25, 1939, 2 days after the conclusion of the Russo-German pact. Since then a comprehensive program has been inaugurated for substantially increasing the country's total food output. A certain degree of Government control over French agriculture was provided for in the decree of April 21, 1939, about 5 weeks after Germany's occupation of Bohemia and Moravia; but thus far little, apparently, has been done under that authorization.

\* Senior Agricultural Economist, Foreign Agricultural Relations.

CHART 1.  
(Belligerents)  
Wartime Control of Agricultural Trade and Production  
(As of November 1, 1939)

|                                                           | GERMANY                                                                                                                                                                                                                                                      | FRANCE                                                                                                                                                                         | UNITED KINGDOM                                                                                                                                                                                                                                 |
|-----------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Import Control                                            | Rigid control of imports through (1) some 28 supervisory offices (according to commodity group) and (2) regional foreign-exchange offices, both under direct authority of the Minister of Economics.                                                         | All imports require a certificate establishing either (1) that the requisite foreign exchange has been authorized, or (2) that no foreign exchange is required for settlement. | Imports of a long list of products prohibited except under license, including certain agricultural products.                                                                                                                                   |
| Export Control                                            | Government supervision and control of exports. Great bulk of export-import trade conducted under clearing and barter (compensation) arrangements.                                                                                                            | Exports of certain products, largely industrial raw materials and certain agricultural products, prohibited except under license from the Ministry of Commerce.                | Exports of a long list of essential products prohibited except under license.                                                                                                                                                                  |
| Foreign-Exchange Control                                  | Rigid foreign-exchange control. Penalties ranging to capital punishment for infractions of the regulations.                                                                                                                                                  | Foreign-exchange transactions permitted only under authorization of the Ministry of Finance.                                                                                   | Close control exercised over foreign exchange for the payment of imports. Exchange automatically granted for imports covered by license.                                                                                                       |
| Control of Stocks                                         | Government control of supplies largely through the various agencies of the Reich Food Estate and the Ministry of Economics.                                                                                                                                  |                                                                                                                                                                                | Control of domestic stocks authorized. Application thus far to cereals and cereal products, canned meats, oils and fats, oil-seeds, and certain industrial raw materials.                                                                      |
| Price Control                                             | Fixed or controlled prices apply to virtually all agricultural products. Trade and processor margins are controlled for most staple foodstuffs, such as milk and dairy products, potatoes, grain and grain products, fats, and most meats and meat products. | Price fixing for foodstuffs authorized. Every merchant or dealer must display appropriately the fixed sales prices.                                                            | Maximum prices or those not above the average for a specified prior period have been applied thus far to sugar, tea, eggs, flour, livestock (hogs, sheep, and fat cattle), bacon and ham, oils and fats, dried fruits, and potatoes.           |
| Government Control of Agriculture                         | Strict control of German agriculture through the corporative (coöperative) set-up under the Reich Food Estate established in September, 1933. Emphasis has been on enlarged output and greater farming efficiency.                                           | Some degree of Government control over agriculture in wartime authorized by decree of April 21, 1939, but thus far not exercised.                                              | Government control of agriculture established for (1) insuring efficient land use exclusively for production of essential foodstuffs; and (2) increasing total farm output through large shift (2,000,000 acres) from grassland to food crops. |
| Ministries and Main Departments involved in the foregoing | Ministry of Economics<br>Ministry of Agriculture<br>Reich Food Estate                                                                                                                                                                                        | Ministry of Commerce<br>Ministry of Finance<br>Ministry of Agriculture<br>General War Provisioning Service                                                                     | Ministry of Food<br>Board of Trade<br>Ministry of Agriculture<br>Ministry of Supply                                                                                                                                                            |



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MAIN FEATURES OF WARTIME CONTROL

After the declaration of war on September 3, 1939, and in the emergency period immediately preceding the declaration, a large number of orders, regulations, and decrees were issued by the British and French Governments, particularly the former, establishing various features of wartime control over foodstuffs and other essential commodities. This was not necessary in Germany, however, for that country had been operating under a virtual "war economy" since 1934-1935. The salient features of the British and French control systems, and their German counterpart, are described below.

IMPORT CONTROL

Import control on a fairly comprehensive basis has been established in Great Britain and France. The principal aim is to limit imports, wherever practicable, to essential commodities and war equipment, and to restrict entry of luxury goods or articles of secondary importance. With regard to the United Kingdom, import licenses are issued freely if the commodities under consideration are regarded by the Import Licensing Department (of the Board of Trade) as necessary for military or civil defense purposes. Priority of shipping space in relation to urgent requirements, particularly with respect to overseas shipments to the United Kingdom, is an important consideration.

Among agricultural products on the British list requiring an import license are certain canned fruits, canned vegetables other than tomatoes, poultry and meat pastes, sausages (canned or otherwise preserved), hops, and dried vegetables (other than peas, beans, and lentils). With regard to France, all imports require an official certificate establishing that delivery of the requisite foreign exchange has been authorized by the Office of Foreign Exchange or that the imports in question require no settlement in foreign exchange.

Germany has exercised rigid control of all imports in recent years, particularly since Dr. Schacht's "New Plan" of 1934 and the Four-Year Plan established in 1936, which placed the country on a "military economy" basis. Consequently, the present war has necessitated no change in the German import system.

EXPORT CONTROL

Immediately preceding the declaration of war, both the United Kingdom and France prohibited the export of a wide range of essential commodities, chiefly industrial raw materials and certain foodstuffs, except under license from the appropriate Government control agency. Since then several changes in the respective lists have been made. The object, of course, is to conserve domestic stocks of essential commodities.

Among agricultural products included in the British export-license list are wheat and wheat flour, canned meat and meat extracts, condensed and dried milk, canned fruits and vegetables, refined sugar, raw cotton and certain other textile fibers, and certain vegetable oils. In this regard, the French list is somewhat

more comprehensive, the main commodities or commodity groups being grains (including rice), wheat flour, meat and meat products, dairy products, eggs, sugar, molasses and sirups, potatoes, beets, hops, animal and vegetable oils, oilseeds, dried beans, cattle, feedstuffs, wool, cotton, and certain other textile fibers. The present war has occasioned no change in the German export-control system.

FOREIGN-EXCHANGE CONTROL

In the United Kingdom, the purchase of foreign exchange for payment of imports was made subject to prior issuance to importers of either (1) an import license for products subject to that requirement or (2) an exchange permit for other products, effective September 5, 1939. This has been done in order to conserve foreign exchange that would otherwise be used for imports of secondary importance, and to utilize foreign-exchange resources, particularly United States dollars, for imports of absolute necessities.

In France, all foreign-exchange transactions, as well as exports of any kind of currency, are prohibited unless authorized by the Ministry of Finance or agencies of the latter. Imports are permitted only after a certificate has been obtained establishing either that the requisite foreign exchange has been authorized or that no foreign exchange is required in settlement.

Foreign exchange in Germany has been subject to the most rigid control in recent years. Infractions of the German currency and foreign-exchange regulations are punishable by penalties up to sentence of death, depending on how serious the offense is regarded.

CONTROL OF STOCKS

An important element in wartime control of essential commodities to insure efficient and equitable distribution is the proper control of domestic stocks. The United Kingdom authorities have taken over the control successively, beginning September 4, 1939, of the domestic stocks (in some instances including shipments destined from abroad or British-owned and stored abroad) of cereals and cereal products, canned meats, dried fruits, sugar, tea, and certain oils and fats.

Control of domestic stocks in France is apparently authorized under the decree of April 21, 1939, to provide effective food control in wartime through the General War Provisioning Service, a special service in the Ministry of Agriculture; but thus far no action under this authority has been publicly announced. Government control over domestic supplies of foodstuffs in Germany has been exercised for some time through the various agencies of the Reich Food Estate and over imported supplies by the Ministry of Economics (in collaboration with the Reich Food Estate for certain major products).

PRICE CONTROL

In order to prevent or check profiteering in foodstuffs in wartime, price control of some kind is usually indispensable. In the United Kingdom, maximum prices


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or prices not to exceed the average for a specified prior period, applying to the wholesale and/or retail trade in several important foodstuffs, have been established successively since September 1, 1939. These foodstuffs are sugar, tea, flour, eggs, bacon and hams, margarine and cooking fats, certain other vegetable and animal oils, canned salmon, dried fruits, potatoes, and livestock (hogs, sheep, and fat cattle).

Price fixing of foodstuffs in France by the Minister of Agriculture was authorized by the decree of September 1, 1939, but thus far no public announcement of action thereunder has been made. In fixing prices, the Minister of Agriculture may ask for the assistance of the Consulting Committee (composed of representatives of employers and employees of commercial, industrial, and agricultural enterprises, and of the various Government departments) as well as the National Committee for Price Supervision.

In Germany, fixed or controlled prices have been a central feature of agricultural policy since the establishment of the Reich Food Estate in the fall of 1933. They apply to virtually all agricultural products. Trade and processor profit margins have been brought under control for most of the staple foodstuffs. It is anticipated that German supervision of foodstuff prices during the present war will be further intensified in order to prevent evasions of the control regulations. Infractions of the price-control system imposed by the Reich Food Estate have been punishable for some time by fines up to 100,000 reichsmarks (nominally \$40,000) and/or imprisonment, depending on how serious the offense is regarded.

#### RATIONING OF FOODSTUFFS

In Germany during the World War, food rationing on a comprehensive scale was in effect by 1916; whereas in Great Britain a general system of food rationing did not become operative until July 1918, after nearly 4 years of war. This time, ration cards were introduced in Germany on August 27, 1939, applying to meat, fats and oils, milk, sugar, coffee, cereal products, and eggs. On September 23, the standard weekly ration was further curtailed (for instance, meats were reduced from 24.5 ounces to 18 ounces, and butter from 3.2 ounces to 2.8 ounces), and rationing was extended to include bread. The revised standard ration allows a present annual per-capita consumption in percentage of the estimated average 1938 consumption as follows: Meat, 54 percent; butter, 47 percent; cheese, 57 percent; sugar, 53 percent; and bread, about 100 percent.

It may be pointed out that the regulation of German consumption of certain foodstuffs, notably butter, eggs, and fats other than butter, through rationing in various forms has occurred since the winter of 1935-36 in times of shortages. Consequently, German consumers were prepared, to a large extent, for the introduction of ration cards in August shortly before the actual outbreak of hostilities, although such introduction did cause some concern as to the adequacy of supplies.

Food rationing has not yet been established in either France or Great Britain, although elaborate plans have been virtually completed for its introduction in the latter country in mid-December. Several million ration books have been printed,

and these will be issued to individual consumers according to a national register to be compiled on the basis of the household enumeration made September 29. When introduced, the British ration system is expected to allow for virtually normal consumption, except of butter and bacon. The extent of curtailment for these products, and possibly sooner or later for certain other products, will depend on a number of factors, such as supplies on hand, world prices, foreign-exchange reserves, shipping facilities, and the effectiveness of enemy naval and air operations.

## GOVERNMENT CONTROL OF AGRICULTURE

### THE UNITED KINGDOM

The entire agricultural industry of the United Kingdom was placed under the control of the Ministry of Agriculture during the war emergency by the Defense Regulations promulgated August 25, 1939, under the Emergency Powers (Defense) Act, 1939. The principal objective now is to insure that agricultural land will be used efficiently and exclusively for the enlarged production of essential foodstuffs. In order to achieve this, the Minister of Agriculture is empowered to issue all the necessary regulations or directions with respect to cultivation, farm management, land use, and so on. He may terminate any tenancy or dispossess an owner-occupier whenever the land in question is not being cultivated in accordance with good farming practices.

It is planned to place an additional 2 million acres of farm land in cultivation before December 31, 1939. To expedite this objective, a subsidy of £2 (approximately \$8) per acre will be paid for all approved grassland plowed up before the end of the current year. Farmers are urged to sow as much winter wheat as possible. The Government has a reserve of farm tractors, fertilizer, and certain seeds, which will be utilized in this program for increasing farm output. In addition, about 60,000 tractors were already privately owned at the outbreak of the war, compared with around 1,000 when the World War began.

The extensive powers to regulate and control farming operations in the United Kingdom that have been conferred on the Minister of Agriculture may be delegated to other agencies acting under his authority. It appears that the County Agricultural Executive Committees recently set up will play an important role in this connection, particularly in the "speed-the-plow" campaign. Subcommittees in turn have been appointed in most counties to deal with various special phases of the accelerated production campaign, such as organization of cultivation and cropping; recruiting of farm labor; distribution of feedstuffs, fertilizer, and machinery; control of insect pests and plant diseases; and drainage problems.

Within the jurisdiction of the new Ministry of Food (instead of the Ministry of Agriculture as heretofore) will be placed the various agricultural marketing boards and commissions set up in recent years for different products. This applies to the Milk Marketing Board, as well as the Pigs Marketing Board and the Potato Marketing Board; but their activities will undoubtedly be carried on in close cooperation with

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the Ministry of Agriculture. The increased production and distribution of potatoes is an important phase of the plans for enlarged wartime farm output in Great Britain.

FRANCE

France is far more self-sufficient agriculturally than the other two belligerents and very little appears to have been done thus far toward actual assumption of Government control over French agriculture, although such control is authorized under existing decrees. (An exception is the control of wheat, for which surplus-disposal measures and minimum prices were established in 1933 and a National Wheat Board set up in 1936 to control prices and marketing.) Under the decree of April 21, 1939, the Minister of Agriculture, with a General Secretary under his direction, is charged with directing the "mobilization" of the nation's agricultural resources, especially with regard to foodstuffs. The same decree also provides for a special service of the Ministry of Agriculture, called the General War Provisioning Service, whose functions, among other things, comprise the setting up of various services for agricultural production in wartime, the preparation of plans for "agricultural mobilization," and the performance of various services connected with the provisioning of the armed forces and the civilian population.

In each of France's 90 Provinces, a committee for agricultural production in wartime is established by the regulation of September 3, 1939, under the presidency of the Provincial Prefect. Other members include the director of agriculture, two other agricultural officials, and nine persons appointed by the Prefect. The function of the committee is to advise farmers to adjust farm output in line with national food requirements and to facilitate measures providing for the requisite agricultural labor, draft animals, fertilizers, seed, and fodder. In each township, in turn, wartime agricultural committees headed by the mayor of the town are established to cooperate with the Provincial committee and to function along the lines of the latter with regard to the township.

GERMANY

German agriculture has been under Government control since its reorganization on a corporative (totalitarian) basis through the Reich Food Estate established in September 1933. Membership in the Reich Food Estate has been compulsory for all Producers, processors, and distributors (wholesale, as well as retail) of agricultural products in Germany. The Minister of Agriculture is also head of the Reich Food Estate.

In addition to the regional and central corporative marketing associations for the major commodities or commodity groups, the Reich Food Estate has 20 regional and 520 district branches, the latter in turn being subdivided into a network of local branches or associations (*Ortsbauernschaften*), comprising the farmers throughout Germany. Finally, there is a "farm management" card for each farm on which is entered pertinent data relating to the agricultural output, the farming efficiency of the owner or other occupier, and so on. This card must be available at all times to the local and other authorities.

Enlarged farm output has been one of the leading objectives of National Socialist agricultural policy since 1934, coupled with price control and a very comprehensive system of market regulation. No basic changes in Germany's set-up for agricultural control under the National Socialist regime have been occasioned thus far by the war.

CONTRABAND AND BLOCKADE

In addition to the various wartime controls thus far discussed that are being exercised by belligerents in the present war, a most important control is that of seizure of products in ocean shipping designated as contraband. Foodstuffs and most other agricultural products are classed by the three belligerents as "conditional" contraband; that is, products susceptible of use in peace or war and destined for use of the armed forces of the enemy.

The British and French conditional-contraband lists are identical, the specification being "all kinds of food, foodstuffs, feed, forage, and clothing, and articles and materials used in their production." The German specification is somewhat different in that it includes tobacco, the text in translation reading "foodstuffs (including live animals), beverages and tobacco and the like, fodder and clothing; articles and materials used for their preparation or manufacture." It is understood, however, that the United States Department of State is discussing the matter of leaf tobacco with the German Government to the end that tobacco be removed from the German contraband list.

Almost at the outset of the present war, German merchant shipping was swept from the high seas and an Allied blockade instituted against Germany. On the other hand, German submarines have taken a heavy toll of Allied and neutral shipping. During the first 6 weeks of the war, Allied and neutral merchant vessels, amounting to around 300,000 gross tonnage, were sunk by Germany; and during the same period approximately 338,000 tons of contraband goods destined for Germany were seized, including petroleum products, iron ore, manganese, phosphates, aluminum ore, copra, and oilseeds, according to an announcement by the British Contraband Control, which operates under the Ministry of Economic Warfare.

By way of comparison, it may be pointed out that during the first month of the unrestricted German submarine campaign launched on February 1, 1917, 460,000 gross tons of merchant shipping were sunk, 511,000 tons in March, and 840,000 tons in April 1917, the peak month of the campaign. On the other hand, Germany's large-scale use of bombing planes to attack merchant shipping might greatly alter the present picture. At all events, the Allied blockade against Germany and the latter's activities in combating the blockade's effectiveness will likely again be a determining factor in the outcome of the present war.

THE AUSTRALIAN WHEAT INDUSTRY ASSISTANCE SCHEME . . .

By Leo J. Schaben*

Wheat is the principal crop raised in Australia. During the 10 years ended with the 1937-38 crop, the area planted averaged 14,394,000 acres and the crop 169,829,000 bushels. Exports during that same period averaged 115,253,000 bushels annually, or approximately 68 percent of the production. In recent years, Australia has ranked third on the list of wheat-exporting countries, being exceeded only by Canada and the Argentine Republic. The low wheat prices of recent years have constituted a serious problem because of the importance of wheat in the Australian national economy. Various measures have been adopted from time to time to remedy the situation but without unqualified success. The latest scheme of assistance utilizes the principle of an excise tax on flour to support domestic wheat prices. It also provides for drought relief and for taking submarginal producing areas out of production.

ORIGIN AND DEVELOPMENT OF THE SCHEME

The principal circumstances leading to the adoption in November and December of 1938 of the several Commonwealth and State acts that in the aggregate constitute the Wheat Industry Assistance Scheme now in operation in Australia were (1) a steady decline in the world price of wheat and (2) the 1938-39 crop failure resulting from the severe drought in 1938. A conference of the Premiers of the various States and the Prime Minister of the Commonwealth was called at Canberra on August 29, 1938, to consider the wheat situation. The purpose of the conference, which had been convened at the request of the Premiers of the States, was to obtain the cooperation of the Commonwealth Government in putting into operation "a scheme to ensure to Australian wheat growers a payable price for wheat sold for home consumption."

It was the conclusion of the conference that the only way Australian growers could be assured of receiving a so-called payable price for the wheat sold for home

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consumption would be for the Commonwealth Government to exercise its taxing powers by placing an excise tax on all flour sold for consumption in Australia, the proceeds from the same to be distributed among wheat growers in the States "in proportion to the quantities of wheat respectively produced by them." The Commonwealth Government expressed willingness to sponsor such a tax, provided the individual States would agree to adopt uniform complementary legislation for regulating the price at which flour and other wheat products could be sold for home consumption in their respective jurisdictions. The original plan was subsequently broadened to provide for drought relief and for rehabilitating wheat growers from unprofitable lands.

STATE LEGISLATION COMPLEMENTARY TO COMMONWEALTH ACTS

The various States having subsequently fulfilled their part of the agreement by enacting the recommended price-fixing legislation, the Commonwealth Government in turn passed six measures, each of which received royal assent on December 2, 1938, to permit the Commonwealth excise tax and other features of the scheme to become operative.

The Commonwealth legislation sets up the procedure for the general administration and application of the scheme; the determination of appropriate tax rates to be levied on wheat and flour; the procedure for the collection of such taxes; and the conditions under which the proceeds resulting from the same will be allocated to the individual States. The principal Commonwealth acts are the Wheat Industry Assistance Act, No. 53, and four taxation acts, each of the latter being incorporated in a sixth law known as the Flour Tax (Wheat Industry Assistance) Assessment Act, No. 48.

The State legislation, on the other hand, confines itself to fixing prices at which flour and other wheat products may be sold locally, and establishes the machinery and the procedure for the distribution within the States of whatever financial grants may be allocated to them under the Commonwealth acts. The significant fact is that the applicability of the Commonwealth legislation is contingent upon the application of satisfactory complementary legislation by the individual States.

OBJECTIVES OF NEW SCHEME

The "payable average price" that the scheme seeks to maintain for wheat sold for home consumption (feed, seed, or milling) in Australia is not specifically defined in any of the acts constituting the scheme, but it is assumed to mean a price high enough to cover costs of production plus a reasonable margin of profit for that percentage of the crop. There is evidence to indicate, also, that the "payable average price" aimed at by the new legislation is 5s.2d. (93 cents)¹ per bushel when delivered for export, free on rails, at Williamstown, Victoria. At that price, it is stated, the average price at country sidings throughout the Commonwealth would

¹ Conversions to United States currency made on the basis of the July 1939 average exchange value of the Australian pound, or \$3.73.


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be 4s.8d. (87 cents) per bushel. The scheme envisages that the "payable average price" shall be maintained even when the export price of wheat exceeds the equivalent of 5s.2d. per bushel, f.o.r. Williamstown. There is nothing in the scheme designed to influence prices on world markets. Export wheat will have to be disposed of as before, at whatever prices it will bring.

A price of 3s.4d. (62 cents) per bushel is stated in various reports to be the minimum price the wheat-growing States in Australia would consider adequate to cover the cost of production and allow a reasonable margin of profit.<sup>2</sup> The home-consumption price contemplated by the scheme, therefore, represents a substantial advance over the acceptable minimum. It is stated that the average price of wheat in Australia exceeded 3s.4d. per bushel, net, at country sidings only twice during the past 10 years. In 1936-37 and 1937-38, it was about 4s. (75 cents) a bushel, net, at country sidings, or 8d. (12 cents) a bushel more than the price regarded as the minimum acceptable. In contrast, the average price received by growers in the six seasons 1930-31 to 1935-36 was about 2s.6d. (47 cents) per bushel, net.

It should be noted that the "payable average price" aimed at by the scheme is to be sought only for that percentage of the total crop "sold for home consumption in Australia." The consumption of wheat for all purposes in Australia during the 5 years 1932-33 to 1936-37 averaged 54,921,000 bushels annually, or 33.5 per cent of the average crop for that period of 164,065,000 bushels. The quantity consumed as flour averaged 32,143,000 bushels, as seed 14,213,000 bushels, and as feed 8,565,000 bushels. No statistics are available showing what proportions of the wheat used for seed and for feed were actually sold by the farmers and what proportions were merely retained for those purposes on the farms by the growers.

The other objectives of the scheme are (1) to give Australian wheat growers some compensation for losses sustained as a result of drought; (2) to remove wheat growers from submarginal lands, i.e., lands considered unsuitable for the economic production of wheat; and (3) to convert such lands to other uses.

#### EXCISE AND BOUNTY FEATURE OF THE SCHEME

The problem confronting the Commonwealth and State Governments was the determination of a method of assuring wheat growers the so-called payable average price for wheat sold for home consumption without working a hardship on consumers of flour and other wheat products. The principle adopted was that in periods of low wheat prices flour consumers should subsidize wheat growers and in periods of high wheat prices wheat growers should subsidize flour consumers.

Accordingly, a system of sliding-scale excise taxes was adopted. These will be imposed either on flour consumed in Australia (whether produced at home or imported) or on sales of wheat by producers (whether for local consumption or for export), depending on whether the price of wheat in the export market is below or above a desired stabilized level stipulated in the act. That level is 5s.2d. per bushel, delivered for export, free on rails, Williamstown, Victoria.

<sup>2</sup> Frederick Palmer, Canadian trade commissioner at Melbourne, Australia.

In determining the actual rate of tax, and whether it is to be levied on flour consumers or on wheat growers, the agency responsible for such decisions will be regulated largely by the extent to which the export price of wheat, free on rails at Williamstown, Victoria, is above or below 5s.2d. per bushel. No tax of any kind is imposed so long as the export price of Australian wheat, f.o.r. Williamstown, stands at the figure stipulated. The Williamstown export price was taken as a base, since that port is the most important center in Australia for the delivery, storage, and export of wheat.

The moneys collected from such taxes will be deposited in a Wheat Industry Stabilization Fund to be administered by a Wheat Stabilization Advisory Committee. The Committee will allocate the funds to the respective States for the attainment of the objectives above referred to. A fixed portion of the fund will be used for drought relief and for the rehabilitation of wheat growers from submarginal land. The balance will be used to pay a bounty to wheat growers when the world parity price of wheat falls below 5s.2d. per bushel and a bounty to flour millers when it rises above that level.

#### COMMONWEALTH WHEAT INDUSTRY ASSISTANCE ACT

The Commonwealth Wheat Industry Assistance Act, No. 53, which received royal assent on December 2, 1938, is, in effect, the keystone of the scheme. The act sets up a Wheat Stabilization Advisory Committee to handle matters dealing with the participation of the Commonwealth Government in the scheme, particularly the determination of tax rates on wheat and flour and the allocation to the individual States of all funds resulting from the application of such taxes.

The Committee consists of five members appointed by the Governor General of the Commonwealth, one of whom must be a representative of the consumers of flour and other wheat products. The members of the Committee will hold office during the pleasure of the Governor General. The latter is also authorized to appoint one of the members of the Committee to function as its chairman.

#### WHEAT INDUSTRY STABILIZATION FUND

The act provides that all moneys collected from time to time under the authority of the Flour Tax (Wheat Industry Assistance) Act, No. 48, and its various supplementary taxation acts (i.e., Nos. 49, 50, 51, and 52) shall be deposited in a fund to be known as the Wheat Industry Stabilization Fund. This fund will be administered by the Wheat Stabilization Advisory Committee.

The revenues flowing into the fund from such taxes, however, are credited to three separate accounts, each of which is earmarked for a definite purpose. The first is known as the Wheat Industry Special Account and the second as the Wheat tax Account. The third account simply represents the balance of the money available in the Wheat Stabilization Fund after deducting the amounts credited to the two others.

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Wheat Industry Special Account - The Commonwealth Wheat Industry Assistance Act provides that a part of the proceeds from the taxes collected under the Flour Tax Act, No. 49 (on flour manufactured and sold in Australia), the Flour Tax (Stocks) Act, No. 50 (on December 5, 1938, flour stocks), and that part of the Flour Tax (Imports and Exports) Act, No. 51, applicable to imported flour (flour and flour content of wheat products imported for consumption) is to be set aside each year in a so-called Wheat Industry Special Account. Such taxes may be levied only when the export price of wheat, f.o.r. Williamstown, falls below 5s.2d. per bushel. They represent, therefore, the contribution of flour consumers to the Stabilization Fund.

During the first year (October 1, 1938, to September 30, 1939) in which the above-mentioned taxes are collected, the sum to be credited to the Wheat Industry Special Account is fixed in the act (No. 53) at £500,000 (\$1,865,000). For each of the next succeeding 4 years, however, the law merely specifies that the sum to be credited to that account is to be determined annually by the Commonwealth Ministry of Agriculture but that it is not to exceed £500,000 annually.

All of the £500,000 credited to the Wheat Industry Special Account during the first year of the scheme must be paid by way of financial assistance to the following States in the amounts specified: Victoria £200,000 (\$746,000);³ New South Wales £100,000 (\$373,000);⁴ South Australia £100,000; and Western Australia £100,000. The reason for thus definitely earmarking the use of the stipulated sums during the first year of the scheme was to provide some compensation to wheat growers in those States for losses sustained as a result of the 1938 drought.

The act does not specify the precise manner in which distressed wheat growers are to receive compensation for drought losses. It provides merely that the payments allocated to the respective States for that purpose shall be paid only on condition that they are applied to relieve distressed wheat growers in the States in accordance with such method of distribution as is decided upon by the Commonwealth Minister after advice from the Minister of Agriculture of the State concerned.

During each of the next succeeding 4 years, the grants to the States from the Wheat Industry Special Account are to be used primarily in covering the cost of transferring wheat growers from lands unsuitable for the economic production of wheat and in converting such lands to other uses. This represents the first time that a definite attempt has been made in Australia to evacuate farmers from areas that, over a period of years, have shown themselves to be unsuitable for wheat growing.

The period during which funds in the Wheat Industry Special Account are to be used for transferring wheat growers from poor lands or for converting such lands to other uses is limited to 4 years, beginning October 1, 1939, and ending September 30, 1943. It appears, however, that under certain conditions only a part of the fund

³ The State of Victoria suffered more from the 1938 drought than any other State - hence its higher allocation. (Henry B. Day, American consul at Sydney.)

⁴ The New South Wales government supplemented the Federal grant by £187,000 thus making a total of £287,000 (\$1,070,500) available for drought relief in that State.

available in the Special Account during that 4-year period may actually be used for rehabilitating wheat growers. The act provides that the whole or any part of the grants to States from that account during those 4 years may be used by the States for the relief of distressed wheat growers. The use of the funds for the latter purpose, however, must be recommended by the Minister of Agriculture of the State concerned and approved by the Commonwealth Minister of Agriculture.

Wheat Tax Account - The Commonwealth Wheat Industry Assistance Act provides further that all of the proceeds from the taxes collected under that part of Act 51 applicable to wheat exported from Australia and under Act 52 on home-grown wheat (wheat sold to wheat merchants by the producer) are to be credited each year to the so-called Wheat Tax Account of the Stabilization Fund. It should be noted that such taxes will be levied only when the export price of wheat, f.o.r. Williamstown, rises above 5s.2d. per bushel. Such taxes, therefore, will represent the contribution of wheat growers to the Stabilization Fund.

The law specifically provides that any funds that stand to the credit of this Wheat Tax Account must be paid by way of financial assistance to the States in such proportions and at such times as the Commonwealth Minister determines. Such grants may be made, however, only on condition that they are distributed to the flour millers in the States receiving the funds and in accordance with such methods of distribution to millers as is decided upon by the Commonwealth authority after advice from the Minister of Agriculture of the State immediately concerned. Payments to millers represent compensation for the fact that flour prices may not rise above the maximum set by State laws.

Allocations from balance of Stabilization Fund - The act provides, also, that the total amount paid into the Wheat Stabilization Fund, after deducting the sums earmarked for definite purposes (such as those credited to the two special accounts above referred to, those needed to defray the cost of administering the act, those needed in making refunds on taxes, and those needed for certain other specified minor payments), is to be allocated to the States for distribution among the wheat growers of Australia whenever the price of wheat, f.o.r. Williamstown, falls below 5s.2d. per bushel.

Such allocations from the fund are to be made direct to the States in proportion to the quantity of wheat produced by each. Each State is to receive that proportion of the total sum allocated in any given year which the quantity of wheat produced in the State that year bears to the total quantity of wheat produced in Australia.

To share in the distribution of such grants, the States must agree to reallocate the funds to their individual wheat growers in proportion to the quantity of wheat sold by their growers during the year in respect to which the payment is made to the States. In order to qualify for payments, the individual wheat grower must produce evidence of the "sale of wheat," but it makes no difference whether the sale has been for export, for feed, for milling, or for some other purpose. Moreover, no grower may assign his right to such payments to another party. Payments by the


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individual States must be made exclusively to the wheat grower who sold the wheat, irrespective of any contract he may have entered into for the transfer of his rights or property to other parties.

It should be noted that there is nothing in the Australian Wheat Assistance Scheme requiring that the bounty to individual growers equal the difference between what they actually receive for their wheat and the farm-price equivalent of 5s.2d. per bushel. Apparently the amount of the bounty to growers will depend entirely on the amount of the flour-tax funds remaining after the sums earmarked for definite purposes have been deducted. The law merely provides that, in calculating the amount to be paid to any individual wheat grower, account be taken only of wheat harvested and sold by him during the year (beginning October 1) to which the payments apply.

#### ADVANCES FROM CONSOLIDATED REVENUE FUND

In order that the scheme might be put into immediate operation, the act provided that during the first year of its operation (October 1, 1938, to September 30, 1939) advances to the Wheat Stabilization Fund would be made from the Consolidated Revenue Fund of the Commonwealth Government. The total amount of such advances, however, was not to exceed £2,000,000 (\$7,460,000). That sum was appropriated and placed to the credit of the Stabilization Fund.

The various grants to the individual States provided for in Act 53 may, as a result of the Commonwealth advances, be met as far as necessary by loans from the Consolidated Revenue Fund. Advances from this fund, however, are to be granted only on condition that they are applied by the States for the purposes and in the manner prescribed by the act. The Consolidated Revenue Fund is to be reimbursed for such advances as soon as the Wheat Stabilization Fund reaches an adequate level.

#### SUSPENSION OF PAYMENTS TO STATES

It should be noted that payments to the individual States are in all instances made subject to the condition that they will be reallocated by the States in accordance with the general objectives and purposes for which they were granted. Act 53 provides in that connection that the Governor General may suspend payments to a State whenever a State law for fixing the price at which flour or any other wheat product may be sold is so amended as to affect prejudicially the position of the wheat growers in that State in respect to wheat sold for home consumption. Payments to a State may be suspended, also, whenever the Governor General is satisfied that the State is not taking steps to protect adequately its consumers of flour and other wheat products against excessive prices for those commodities.

#### COMMONWEALTH FLOUR TAX ASSESSMENT ACT

The general details of the taxation features of the scheme are covered in the Commonwealth Flour Tax Assessment Act, No. 48, of 1938, the administration of which is placed in the hands of the Commonwealth Commissioner of Taxation. The actual revenues for the fund above referred to will be derived from several sources, each

covered by a supplementary Commonwealth taxation act. Each of these acts provides, however, that it is to be incorporated and read as one with the Commonwealth Flour Tax Assessment Act.

#### GENERAL FEATURES OF TAXATION MEASURES

An analysis of the various Commonwealth taxation measures reveals that they possess several features in common. In the first place, all of them are more or less permanent in character and are designed to stabilize the price of flour consumed in Australia at the level at which it would sell if the export price of wheat stood at 5s.2d. per bushel, free on rails at Williamstown, Victoria. In the second place, the actual tax rates to be imposed vary in all instances in accordance with fluctuations above or below the quotation named.

The various acts supplementary to the Commonwealth Flour Tax Assessment Act, No. 48, establishing the taxes from which revenues for the maintenance of the Wheat Stabilization Fund are to be derived, together with the maximum rates of taxation chargeable under those acts and the actual rates in effect on May 19, 1939, are given in the following table.

TABLE 1.—Tax rates for maintenance of Australian Wheat Stabilization Fund

| ACT | SHORT TITLE        | MAXIMUM RATE        |                        | RATE IN EFFECT |            |               |
|-----|--------------------|---------------------|------------------------|----------------|------------|---------------|
|     |                    | AUSTRALIAN CURRENCY | UNITED STATES CURRENCY | DATE           | CURRENCY   |               |
|     |                    |                     |                        |                | AUSTRALIAN | UNITED STATES |
| :   | :                  | :                   | :                      | :              | :          | :             |
| :   | :                  | Per ton             | Per ton                | :              | Per ton    | Per ton       |
| 49  | Flour Tax Act      | £7 10s.             | \$27.98                | June 16, 1939  | £5 10s.    | \$20.52       |
| 50  | Flour Tax (Stocks) | :                   | :                      | :              | :          | :             |
| :   | Act                | £7 10s.             | \$27.98                | Dec. 3, 1938   | £5 15s.    | \$21.45       |
| 51  | Flour Tax (Imports | :                   | :                      | :              | :          | :             |
| :   | and Exports) Act—  | :                   | :                      | :              | :          | :             |
| :   | (a) On imports of  | :                   | :                      | :              | :          | :             |
| :   | flour              | £7 10s.             | \$27.98                | June 16, 1939  | £5 10s.    | \$20.52       |
| :   | (b) On exports of  | Per bushel          | Per bushel             | :              | Per bushel | Per bushel    |
| :   | wheat              | 1s.                 | 19 cents               | (a)            | (a)        | (a)           |
| 52  | Wheat Tax Act      | 1s.                 | 19 cents               | (a)            | (a)        | (a)           |
| :   | :                  | :                   | :                      | :              | :          | :             |

Conversions made at the average July 1939 rate of exchange.

<sup>a</sup> Tax becomes effective on official proclamation only.

Still another feature common to the several taxation measures included in the scheme is that the Commonwealth Parliament retains complete control over the rates to be levied. Parliament not only fixes the maximum rates that may be imposed but establishes, in addition, rigid formulae that must be adhered to in determining variations in the rates within the fixed maximum limits. While each of the taxation



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acts provides that the actual rate is to be fixed from time to time by the Commonwealth Minister of Agriculture, acting in accordance with a recommendation by the Wheat Stabilization Advisory Committee, the only discretion given to the Committee and the Minister is the determination of the appropriate time for announcing the effective dates of the rate variations, and even in this respect the Committee and the Minister must act in accordance with fluctuations in the export price of wheat above or below 5s.2d. per bushel.

FLOUR TAX ACT

The Flour Tax Act, No. 49, provides that, whenever the Williamstown export price of wheat falls below 5s.2d. (96 cents) per bushel, a tax is to be imposed on all flour (with certain specified exceptions) milled by any person in Australia and sold or used by him for the manufacture of goods other than flour, such as bread, cakes, and biscuits. The authority to impose this tax became effective December 2, 1938, and all taxes imposed under the same are payable directly by the flour miller. The tax paid will be refunded if the flour is subsequently exported.

In accordance with the provisions of this act, the rate of tax per short ton of flour must be that amount by which the price of a ton of flour is less than what, in the opinion of the Wheat Stabilization Advisory Committee, it would be if wheat were selling, free on rails at Williamstown, Victoria, at 5s.2d. per bushel. The rate will vary, therefore, in accordance with fluctuations in the export price of wheat, increasing when wheat export prices decline and decreasing when they increase.

The tax on flour for home consumption will disappear entirely when the export price of wheat reaches 5s.2d. per bushel, f.o.r. Williamstown. The variations in the flour-tax rate and the period for which any particular rate will be operative will be announced from time to time by the Commonwealth Minister of Agriculture, acting upon the recommendation of the Wheat Stabilization Advisory Committee. The maximum rate chargeable under this act is fixed at £7 10s. (\$27.98) per ton.⁵ That maximum is considered as the rate that would be appropriate if wheat export prices fell as low as 2s. (37 cents) a bushel, f.o.r. Williamstown.

This act is depended upon as the main source of revenue for the Wheat Stabilization Fund. The precise manner in which the funds obtained therefrom are to be utilized is covered on page 512 in the section relating to the Commonwealth Wheat Industry Assistance Act, No. 53.

FLOUR TAX (STOCKS) ACT

Under the Flour Tax (Stocks) Act, No. 50, a similar tax was imposed on flour (with certain specified exceptions) held in excess of 1,000 pounds on December 3, 1938, by any person who was not the actual manufacturer of the same, such as bakers

⁵ The rate was fixed at £5 15s. (\$21.45) per ton on December 3, 1938; reduced to £5:7:6 (\$20.05) on December 16, 1938; increased to £5:17:6 (\$21 91) on March 15, 1939; reduced to £5 5s. on April 27, 1939; reduced to £5 (\$18.65) on May 18, 1939; and increased to £5 10s. (\$20.52) on June 16, 1939. (Henry B. Day, American Consul at Sydney.)

and storekeepers. As in the preceding act, the tax was to be imposed only in the event that the export price of wheat should be below 5s.2d. per bushel.

This act simply assured that stocks of flour in the hands of people other than millers on the date mentioned would be made subject to the tax provided for in Act 49.⁶ Such legislation was deemed necessary not only to insure that the tax would be imposed equitably on all flour for home consumption after the act became effective, but also to prevent a possible dislocation of the flour market by forward buying of flour in anticipation of the tax.

EXEMPTION FROM FLOUR TAX ACTS

The Commonwealth Flour Tax Assessment Act, No. 48, provides that the taxes on flour imposed by Acts 49 and 50 are not applicable to bran or pollard unsuitable for use as food for human consumption; to flour used in the manufacture of breakfast foods; to flour used in the manufacture of feed for animals and birds; to flour used in the manufacture of corn flour, starch, glucose, sugar, and meat products; to flour used in the manufacture of special foods for infants and invalids; to flour used by charitable institutions; and to flour intended for export and actually exported.

FLOUR TAX (IMPORTS AND EXPORTS) ACT

The Flour Tax (Imports and Exports) Act, No. 51, provides, in the first place, for a tax on all flour imported for home consumption, as well as on the flour content of imports for home consumption of certain goods manufactured from flour. Specifically mentioned in the latter category are biscuits, buckwheat flour, cakes, cremalt, macaroni, molestella, passover bread, spaghetti, and vermicelli. In addition, Act 51 provides for the imposition of a tax on exports of wheat.

Tax on flour imports - The authority to impose a tax on imports of flour and on imports of the specified flour products became effective on December 3, 1938, and is payable, when in operation, by the importer at the time the goods are entered for home consumption. The tax on such imports may not be levied, however, except when the price of wheat at Williamstown, Victoria, falls below 5s.2d. per bushel.

Australian imports of flour and of the other flour products mentioned in Act 51 have been insignificant in the past, and it is not expected that this tax will provide an important source of revenue for the Wheat Stabilization Fund. It was felt, however, that such imports might reach proportions sufficient to impose a serious competitive disability on the domestic flour industry if they were not made subject to the tax.

The maximum tax that may be imposed on imports for consumption of flour and of the other products mentioned is £7 10s. (\$27.98) per short ton. The actual rate

⁶ The tax on flour stocks was fixed at £5 15s. per ton. (Consul Henry B. Day.)

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applicable at any time, however, will vary in accordance with the export price of wheat and will be determined from time to time by the Commonwealth Ministry of Agriculture, acting upon the recommendations of the Wheat Stabilization Advisory Committee.

The act provides that when such a tax is applicable the rate of tax per ton of flour imported for consumption must be equal to the amount by which the price of a ton of flour is less than what, in the opinion of the Committee, it would be if export wheat were selling, free on rails at Williamstown, Victoria, at 5s.2d. per bushel.

Such revenue as is derived from the tax on flour imports will also be placed in the Wheat Stabilization Fund. The manner in which funds from that source are to be utilized in assisting the wheat industry is discussed in the section covering the Commonwealth Wheat Industry Assistance Act, page 512.

*Tax on wheat exports* - The second tax established under Act 51 is on exports of wheat that have not, prior to exportation, been the subject of a sale to any person in Australia. This tax, in other words, is not applicable to wheat that has been taxed under the terms of the Wheat Tax Act, No. 52, discussed below; thus the possibility of double taxation is removed. Moreover, the tax on wheat exports may be collected only at times when the export price of wheat at Williamstown, Victoria, rises above 5s.2d. per bushel. Under such circumstances, as previously indicated, there will be no tax on flour consumers.

The maximum tax that may be levied on wheat exports is fixed in the act at 1s. (19 cents) per bushel. The actual rate within that maximum limit will vary, however, not only in accordance with fluctuations in the export price of wheat but also with reference to the relation that exists between the size of the Australian wheat crop and the amount of wheat needed to supply domestic requirements.

In that connection, the act provides that, whenever such a tax is applicable, the actual rate of tax per bushel is to be an amount that bears the same proportion to the excess of Williamstown wheat prices over 5s.2d. per bushel as the quantity of wheat that the Advisory Committee estimates will be consumed in Australia (during any 12 months beginning October 1) bears to the total crop that the Committee estimates will be produced in Australia that same year.

This formula appears rather complicated, but in the last analysis it simply means that, if the export price of wheat, free on rails at Williamstown, should rise to 5s.8d. per bushel and the quantity to be consumed in Australia were placed at one-third of the crop to be harvested that year, the export tax would amount to 2d. (3 cents) per bushel, or one-third of the difference between 5s.2d. (96 cents) and 5s.8d. (\$1.06) per bushel.

Whenever export prices rise above 5s.2d. per bushel, the Commonwealth Minister of Agriculture, acting upon the recommendation of the Wheat Advisory Committee, is obliged to fix and proclaim the rate of tax that is to be collected. The tax becomes effective only on proclamation of the Minister and is payable by the exporter at time of exportation.

Revenues from this tax will be placed in the special Wheat Tax Account of the Wheat Stabilization Fund for allocation to flour millers in the various States in accordance with the procedure outlined in the discussion of the Commonwealth Wheat Industry Assistance Act, No. 53. (See p. 514)

#### WHEAT TAX ACT

The Wheat Tax Act, No. 52, provides that in the event wheat export prices rise above 5s.2d. per bushel, free on rails at Williamstown, a portion of the excess will be levied as a tax on the "first sale" of wheat by the grower to a wheat merchant. This is distinctly a tax on wheat produced, although it is to be collected from the first merchant to whom the wheat is sold by the producer.

It should be noted that the tax may not be levied until the export price of Australian wheat rises above the specified level. When it does, the Commonwealth Minister of Agriculture, acting upon the recommendation of the Wheat Stabilization Advisory Committee, is obliged to fix and proclaim the rate of tax that is to be collected on sales by producers.

Act 52 provides that the tax on sales by producers may not exceed a maximum of 1s. (10 cents) per bushel. In fixing the actual rate of the tax, account must be taken not only of export prices of wheat but also of the relation of the domestic crop to estimated consumption requirements. The formula used, therefore, is exactly the same as that used in determining the tax rate on wheat exports, described above.

The tax goes into operation on the date of proclamation. All revenues collected from the same are to be placed in the special Wheat Tax Account of the Wheat Stabilization Fund for allocation to flour millers in the various States in accordance with the procedure outlined on page 514 in the discussion of the Commonwealth Wheat Industry Assistance Act, No. 53.

#### COMPLEMENTARY STATE LEGISLATION

It has been emphasized in the preceding discussion that the cooperation of the Commonwealth Government in a Wheat Industry Stabilization Scheme for all of Australia was made contingent upon the adoption of complementary legislation by the individual States. The legislation adopted by the State of New South Wales is typical of that enacted simultaneously by the other States of the Commonwealth. The New South Wales legislation is embodied in two acts, the Wheat Products (Prices Fixation) Act and the Wheat Industry Stabilization Act. These are summarized below.

#### NEW SOUTH WALES WHEAT PRODUCTS ACT

The Wheat Products (Prices Fixation) Act, No. 19, authorizes the Governor of the State of New South Wales to fix by proclamation published in the *Gazette* (1) the minimum price at which any of the substances included in the definition of "flour"



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may be sold in New South Wales by the "manufacturer" of the same; and (2) the maximum price at which any of the substances included both in the definition of "flour" and in the definition of "wheat products" may be sold by "any person."

The question of the substances that are to be included in the definitions of "flour" and of "wheat products" appears to be one of some significance in the exercise by the Governor of his price-fixing authority. While the two terms are specifically defined in the act, the Governor may at any time alter the interpretation of either term so as to make it coincide with such interpretation as may be given to it in any Commonwealth act.

The term "flour" is defined in the New South Wales act as "any substance produced by gristing, crushing, milling, cutting, or other processing of wheat or by one or more of those processes applied to wheat combined with any other commodity." It includes also any substance produced "by the sifting or screening of or any mechanical operation applied to substances so produced." Moreover, it includes any substance produced "by the combination of any of the operations specified" and "by any mixture of any such substances; and self-raising flour."

Excluded from the term "flour," however, are any substances for use "as or in the manufacture of breakfast foods or foods for birds or livestock" and any substances for use "in the manufacture of corn flour or meat products or of any other goods not being foodstuffs."

The term "wheat products," on the other hand, is defined in the act as "flour, bran, pollard and bread and such other substances produced by gristing, crushing, grinding, milling, cutting or otherwise processing of wheat as are declared by proclamation to be wheat products."

It appears, therefore, that in New South Wales minimum prices are fixed for flour sold by the manufacturers and maximum prices for flour and other wheat products sold by any other person.⁷ The law specifically provides, however, that in no case is the minimum price for "ordinary wheat flour" delivered on the buyer's premises in Sydney to be less than £11 (\$41) per ton of 2,000 pounds or the maximum price for such deliveries more than £13 10s. (\$50.36) per ton. No minimum or maximum limits are prescribed in the New South Wales act for other wheat products.

In fixing the actual minimum and maximum prices that are to prevail in the State, the Governor is required to take into account a number of factors. Included among them are the place of delivery to the buyer; the locality of the State in which the product is sold or delivered; the quantities in which the product is sold;

⁷ Shortly after the adoption of the Wheat Products (Prices Fixation) Act by the New South Wales government, the Governor of the State issued a proclamation fixing for the metropolitan area of Sydney the maximum wholesale price of bread at 4½d. (7.4 cents) per 2-pound loaf and the maximum retail price of bread sold in shops at 5½d. (8.2 cents) per 2-pound loaf, effective December 9, 1938. On December 16, 1938, the Governor fixed the minimum price of flour for that area at £12 10s. (\$46.63) per ton, gross weight, delivered at buyer's premises. (*Commercial Intelligence Journal*, No. 1828, Ottawa, Canada, February 11, 1939.)

whether the product is sold wholesale or retail; the nature of the containers in which it is sold; and the quality, grade, and variety of the product.

Persons selling flour and other wheat products at prices higher than the maximum or lower than the minimum fixed by the Governor will be liable to a penalty not exceeding £500 (\$1,365). Persons knowingly concerned in the commission of such an offense (aiders and abettors) are similarly punishable. It will not be a violation of the law to sell flour or other wheat products at prices above or below the fixed maximum or minimum in the export trade.

NEW SOUTH WALES WHEAT INDUSTRY STABILIZATION ACT

The Wheat Industry Stabilization Act, No. 32, assented to on December 14, 1938, establishes the machinery and the procedure for the distribution within the State of New South Wales of whatever financial grants may be allocated to it under the terms of the Commonwealth Wheat Industry Assistance Act, No. 53. It provides that all moneys received by the State from the Federal Wheat Stabilization Fund are to be deposited in a State Wheat Industry Stabilization Account by the State Treasurer. It provides, also, that such funds are to be distributed within the State by the Rural Bank of New South Wales in accordance with the conditions subject to which they were granted by the Commonwealth act.

The Governor of the State is authorized to make whatever regulations are necessary for giving effect to the act. Among them are regulations prescribing the manner in which people entitled to share in the distribution of such funds are to make application for the same; the information to be furnished by applicants in respect to their applications; and the basis of payments to wheat growers who are parties to a share-farming agreement.

Persons fraudulently attempting to obtain payments to which they are not entitled, who make false or misleading statements in their applications, or who refuse to furnish the information requested by the agency administering the act will be liable to a penalty ranging from £100 to £200. Moreover, persons convicted of any offense under the act forfeit all moneys that would otherwise be payable to them from the State Wheat Industry Stabilization Account.

GENERAL OBSERVATIONS

The Australian Wheat Industry Assistance Scheme is unique among the devices adopted by governments for the relief of wheat growers in that the cost of wheat-price maintenance is to be borne by domestic consumers when the export price of wheat falls below an arbitrary "home consumption price" and by growers when export prices exceed the arbitrary level. The "home consumption price" established in Australia is higher than the average wheat price of the last 10 years. It is likely, therefore, that the greater part of the cost of the scheme will be borne by domestic consumers of flour. Since the plan is to be applicable only to that part of the crop that is sold for home consumption, it is not expected to have any influence on the price of wheat moving in channels of world trade.

When the Australian Wheat Industry Assistance Scheme was adopted late in 1938, it was believed in Australia that a permanent scheme for stabilizing the industry, satisfactory to both the producer and the consumer, had at last been inaugurated. It seems, however, that complaints against its operation were registered by flour consumers and wheat producers alike. The former are said to have complained because of higher bread prices and the latter because the bounties to be received under the act were below what they considered a fair return.⁸

It was expected, therefore, that the scheme would be amended. In fact, various alternative proposals were considered. Among them were the following: (1) A stabilization scheme under which, when the price of wheat at country sidings exceeds 3s.8d. (68 cents) per bushel, growers are to contribute 50 percent of the excess to a fund to be used to equalize prices to producers when the actual price falls below that level; (2) legislation regulating the marketing of the export surplus in accordance with an international agreement for the regulation of wheat exports; (3) legislation designed to regulate the acreage planted to wheat in Australia; and (4) a guaranteed price of 3s.4d. per bushel, f.o.r., to be financed by the flour tax and by contributions of the Commonwealth and State treasuries.

One of the main objections expressed to the Australian Scheme apparently is that the stabilized home-consumption price aimed at by the legislation is deemed insufficient by growers to make wheat production profitable. For that reason, representations were made to the Commonwealth Government to contribute funds that would make possible a higher home-consumption price than would result merely from the utilization of the funds collected under the flour tax. The attitude of the Commonwealth Government, however, was that Federal funds could not be advanced for such purposes unless supplemented by contributions from the States and tied up with some agreement for the regulation of wheat production.

At a meeting of the heads of the various States late in August 1939, the Prime Minister of the Commonwealth proposed a plan that would guarantee a price of 3s.4d. per bushel, f.o.r., for Australian wheat. Under that proposal a sum not to exceed £3,500,000 (\$13,100,000) was to be contributed jointly by the Commonwealth and State governments, the Commonwealth contribution to be £2,000,000 (\$7,500,000) and the contribution by the States, £1,500,000 (\$5,600,000). That sum, plus £3,750,000 (\$14,000,000) raised by means of the flour tax, would guarantee, it was believed, the average of 3s.4d. per bushel referred to. The proposal also provided, however, that in the event the wheat crop exceeded 140,000,000 bushels the average returns per bushel were to be reduced correspondingly.

The plan was rejected largely because of the opposition of the Government of Victoria. The Premier of that State maintained that assistance to the wheat industry is essentially a national responsibility and that to call upon a State to allocate funds for the assistance of wheat growers when all of the money so allocated would not be distributed within that State's borders, might be contrary to the provisions of the Commonwealth Constitution.

⁸ Based on a report from Henry B. Day, American consul at Sydney.

The present status of the Australian Wheat Industry Scheme has been rendered uncertain, not only by the various alternative proposals advanced since its adoption late in 1938, but also by the outbreak of hostilities in Europe. Outstanding among the new developments was a recent announcement by the Australian Government that it would take over complete control of the 1939-40 wheat crop.⁹

To accomplish that objective the Government apparently intends to establish a compulsory pool to be controlled by a committee representing growers, dealers, and the Government. The Committee was appointed on September 13. A special advisory committee representing the pool authorities, millers, growers, and dealers will supervise the operations of the pool in each State. It was stated that the wheat would be sold at ruling prices as opportunity offered and as shipping space became available. Returns for the whole harvest were to be equalized among growers so as to yield an average price for the season.

As far as the Australian Wheat Industry Assistance Scheme is concerned, it was felt at the time of its adoption that experience in the practical application of the scheme would show what modifications, alterations, or additions were required and that such changes would be made when the need for them became apparent. No evidence is at hand to indicate that any changes have been made as yet. The significant fact is that the Commonwealth and the various State governments cooperated to place upon their respective statute books legislation that aimed at giving what was deemed at the time to be a modest but necessary return to those engaged in the wheat industry, one of the most important economic enterprises in the Commonwealth.

⁹ Cable received from the American consulate general at Sydney.

THE LIVESTOCK INDUSTRY IN VENEZUELA

By W. H. Black*

The Government of Venezuela in recent years has given an increasing amount of attention to the development of livestock as part of the agricultural enterprise. But the obstacles to the development of a profitable livestock industry are numerous. Some of them, such as the lack of improved methods of breeding, feeding, management, and transportation, will be overcome gradually with the natural growth of the country and the dissemination by the Government experiment stations of the results of their work. To surmount such others as adverse climatic and grazing conditions and prevalence of insect parasites and diseases, however, will require prolonged research and experimentation. To date the Venezuelan livestock industry has not been developed to the point of providing an export surplus of significance to importing countries.

Venezuela has an area of 393,976 square miles. The topography is varied and may be classified into four types: mountainous, coastal, savanna, and highland (figures 1, 2, and 3). The Andes, which extend north and south through South America along the Pacific Coast, divide in Colombia. One range continues to the north and forms a part of the boundary between Colombia and Venezuela. It follows along the coast eastwardly nearly to Trinidad. The highest elevation in Venezuela, nearly 16,000 feet, is found in the western part of the country near Colombia. The low-lying coastal region is broadest in the area around Lake Maracaibo, for farther east the mountains come close to the sea.

The savanna, locally termed *llanos*, extends eastward across the entire country from the mountains on the Colombian border to the delta section along the eastern shore. It is bordered on the north by the coastal chain and on the south by the Orinoco River. The highland country is the region south and east of the Orinoco River. Little is known of the greater part of this vast area south of the Orinoco, which with the *llanos* makes up about 80 percent of Venezuela.

The climate is naturally variable, depending upon the elevation, and ranges from tropical temperatures in the coastal regions to rather moderate ones in the higher elevations. The country is sparsely settled, particularly in the *llanos* and still more so south of the Orinoco, where the inhabitants are mostly Indian. It is estimated that the population is approximately 3,500,000, or less than 9 persons per square mile, compared with approximately 40 per square mile in the United States. Caracas, the capital, has a population of over 200,000 people.

* Senior Animal Husbandman, Bureau of Animal Industry. Acknowledgment is made of the valuable assistance and courtesies extended by the Ministerio de Agricultura y Cría and other branches of the Venezuelan Government, and by the Standard Oil Company of Venezuela.

Fig. 1. Typical irrigated valley in mountainous region near Maracay. The Guatemala grass, shown in foreground, like Para, Guinea, and Elephant grasses, is a valuable improved forage. The grasses are usually chopped and fed green.



NATURAL RESOURCES

Among the more important natural products of Venezuela are coffee, cacao, sugar, lumber - *caoba* (mahogany), being rather plentiful - livestock and their products, fruits, gold, pearls, asphaltum, and, most important of all, petroleum and its products. The coffee exports have a value of over \$10,000,000, with the United States the largest importer. The United States also absorbs a high percentage of the cacao and practically all of the pig and goat skins.

Crude petroleum makes up more than 80 percent of total exports. Venezuela ranks third in world oil production; and, as oil production on a commercial scale did not begin until 1917, it is evident that expansion in this field has been very rapid. Exploration camps are being established in widely separated areas in the country. At present the production fields are confined largely to the Maracaibo region around and under the lake and to the extreme eastern section, from the mountains bordering the Caribbean to and including the delta section of the Orinoco River.

The rapid development of the oil industry has tended to draw interest away from other activities, including agriculture. Much of the country is greatly underpopulated. Though the Government desires immigrants and has established some model agricultural colonies, it has numerous requirements, many highly commendable, which must be complied with by persons seeking entry. Immigrants holding political and social views not in harmony with the principles of the Government are not wanted.

The country is little explored south of the Orinoco River, but there is evidence of considerable wealth in this area in the form of gold and diamonds.


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Fig. 2. Coastal scene near Puerto Cabello. Guinea-grass pastures in this area are excellent for all classes of cattle.

Transportation into the interior is a big problem. Paved roads, comprising about 600 miles of concrete, are confined largely to the area around Caracas, Maracay, Valencia, and Puerto Cabello and are entirely inadequate to the country's needs. Highway facilities in the *llanos*, the traditional cattle country of Venezuela, are poor in the dry season and practically nonexistent in the rainy season.



Fig. 3. Scene in the eastern section of the *llanos*, at the end of the dry season. Many rivers in the area continue to flow throughout the year. In areas such as this, grazing is at its best during the dry season.

### THE LIVESTOCK INDUSTRY

Cattle raising is the principal livestock industry, but its development has been restricted by a variety of factors, which will be discussed later. More attention has been given to the improvement of the dairy industry than to beef production.

Agricultural products are transported almost entirely by burros. This holds true not only for the remote sections but likewise for those around the larger cities. Hundreds of burros daily transport vegetables and fruits from the surrounding country to the large municipal market at Caracas. Very few horses are seen except on ranches where large numbers of cattle are handled. Even on most ranches donkeys and mules are about as popular as horses with the vaquero.

Goats are quite common throughout the country, but sheep so far have been of little economic importance. There are, however, small numbers of sheep in the mountainous Andes country of Venezuela toward the Colombian border. Greater numbers of sheep could well be handled in the foothills of the mountainous regions in the western part of the country. In this connection, it would seem that the breeds of sheep commonly raised in southwestern United States and the black-faced Persian, a woolless breed very popular in South Africa, would be highly adaptable.

It is believed that the goat industry could well be more fully developed to advantage in the mountainous areas extending from Colombia across the northern coastal country to the eastern border near Trinidad. The common brush goat and the Angora should thrive in many sections of the mountainous and mesa country. The latter would increase farmers' income through the production of mohair as well as meat.

The swine industry has not been so fully developed as it might be. Every native peon family has a few pigs, which are allowed to run loose about their premises. The predominating type is the native. The Ministry of Agriculture has from time to time imported good breeding stock, which are making a good showing at many of the field animal-husbandry experiment stations. The Duroc-Jersey, Hampshire, Tamworth, and Large Black are probably the most popular breeds. The Ministry of Agriculture has encouraged the improvement of better stock by offering free service of the Government-owned sires at field experiment stations. The records indicate that comparatively few persons take advantage of this opportunity.

#### DAIRYING

There are many improved dairies near the larger cities, though most dairy products are produced under rather primitive conditions. Approximately 165 dairies, in which over 5,000 cows are milked, are located near Caracas alone. Most of the milk sold in Caracas is pasteurized. Many of the dairies have imported considerable numbers of Holstein, Guernsey, and Jersey cattle, the first-mentioned breed seemingly being the most popular. The native cow, or *Criollo*, still predominates in nearly every establishment.

While the native cow is not a large producer, averaging at best about 7 pounds of milk daily for the lactation period, her milk contains about 4 percent of fat. Fat, however, is of little concern at the present time, since cream is not generally used on the table and cheese is more popular than butter in the diet. It is rather common practice for the farmer and rancher alike to milk a few cows and make cheese for the table and market the surplus in the local village.



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Fig. 4. Native cow with her crossbred calf (by Hereford bull) tied to front leg, Government experiment farm at San Juan de los Morros.

The more modern dairies near the large cities are beginning to follow the practice of milking their cows twice a day. The prevailing practice, however, is one milking a day, the calf being allowed to nurse two or three times during the day. The cows are then milked very early in the morning.

With few exceptions the suckling calves are kept in a barn or small paddock and never allowed to run with the cows. They are usually weaned at from 6 to 8 months of age and until weaning seldom receive any feed other than whole milk. While the cow is actually being milked, especially the *Criollo* cow, her calf is tied to her left front leg, the idea prevailing that the dam will not release her milk unless the calf is at her side.

In the modern dairy, cows are kept in open barns most of the time, and their roughage and concentrates are brought to them. Nearly all the improved dairy farms are found in the fertile valleys or adjacent thereto where green crops under irrigation can be produced throughout the year. The roughage under these conditions is fed as a chopped soiling crop. Para grass (*Panicum barbinode*), elephant grass (*Pennisetum purpureum*), Guinea grass (*Panicum maximum*), and Guatemala grass (*Tripsacum laxum*) are the most extensively used. Under favorable growing conditions, Para grass is more productive and also more palatable to the cattle than the other forages mentioned.

Concentrates, such as corn meal, wheat bran, soybeans, cottonseed meal, and copra cake, are used extensively by the more progressive dairymen. A popular dairy ration is one composed of 60 percent corn meal, 30 percent wheat bran, and 10 percent copra cake, cottonseed meal, or soybean meal.

BEEF PRODUCTION

Though cattle are found in considerable numbers throughout that section of Venezuela between the Orinoco River and the seacoast, yet there has been no general marked improvement in the herds kept primarily for beef purposes. It may be said, however, that Zebu (Brahman) blood has been used with the native quite extensively in the *llanos* during the last 20 years with favorable results in most instances. The crossbred Zebu-native animal is usually considerably larger than the strictly native type and is generally more vigorous and hardy. The cows produce more, and a higher dressing percentage of edible meat is obtained from the slaughter cattle. With few exceptions the range cattle run at large in the *llanos*, and under such conditions it is difficult to carry out systematically any definite breeding and management program.

Under fenced areas, such as are found near Maracay and Urama, very good improved pastures have been developed in the past 25 years. The more nutritious pastures have contributed much to the quality of beef produced. The cattlemen who improved their pastures likewise gave considerable attention to the selection of their breeding stock and provided shade, shelter, water, and dipping vats.

Important factors that have tended to check progress in beef-cattle production are the prevalence of insect pests, parasites, and diseases, lack of control methods, transportation problems (see figure 5), adverse climatic and grazing conditions, and the absence of information on the part of cattle producers as to improved methods of breeding, feeding, and management.

MEAT PACKING

The Government-owned and operated packing plant at Maracay has a daily capacity of 250 cattle and a similar number of hogs. It is the largest and only modern slaughtering plant in the country. As transportation facilities for moving livestock from the interior of the *llanos* are not available, supplies for the plant are produced largely within a radius of 200 miles.

The Maracay plant is equipped for refrigeration, and likewise twenty-odd refrigerator trucks are available for distribution of the meat products to the surrounding towns and cities. Refrigeration of meats has thus far not been resorted to, for the consumer desires meat that has been killed the day before. The management of the abattoir, however, is ready to put the refrigeration unit into operation just as soon as chilling and aging of meat are desired by the consuming public. Most of the meat from this plant is delivered by truck at night to the municipal market in Caracas, a distance of about 70 miles.

Cattle are slaughtered and dressed in the Government plant at Maracay much the same as in modern plants in the United States. Just before the cattle are killed, however, they are sprinkled with cool water for several minutes to clean and cool them. The plant is operated and maintained under strict sanitary regulations. Inspection service is maintained and conducted much the same as in the most modern plants of the United States.

The popular beef animal is the 4- to 5-year-old steer weighing around 1,000 pounds. Seldom do they weigh over 1,300 pounds on the hoof. Steers dress from 46 to 52 percent, the low dressing percentage being due in part to the fact that they are strictly grass-fed cattle. Cattle are sold to the buyer at so much per *arroba*. An *arroba* is 25 pounds of dressed carcass. Usually slaughter steers sell for about 7 bolívars per *arroba* (around 9 cents per pound).¹ It is usually figured that a steer will dress about 50 percent. An 800-pound steer would therefore sell as 16 *arrobas*, on the basis of a 50-percent dress, and bring about \$36.00.



Fig. 5. Typical country road of the central *llanos*. Trucking of livestock over such roads is done with difficulty, and accordingly heavy shrinkage results. The picture also illustrates the common method of leading cattle by a lariat tied to the tail of the horse.



Fig. 6. Modern dipping vat and corrals on the Government animal-husbandry experiment farm at San Carlos.

¹ At current rate of exchange, a bolívar is equal to about 31.4 cents.

The plant sells most of its beef in the fresh state, but limited quantities of canned corned beef and potted meats are prepared. Most of the canned meats are exported to Japan, various islands of the Lesser Antilles, and Trinidad. The hides are shipped mostly to Germany and the hoofs and horns to Japan.

Tankage and steamed bonemeal are made in the plant, comparing in quality and price with similar products made in the United States.

Hog slaughtering differs materially from the practice employed in the United States in that the carcass is skinned after being dehaired. The bulk of the outside fat is removed with the skin. The fat is then removed from the skin. Hog carcasses present an unattractive appearance when dressed in this manner. The average dressing percentage is around 80, and the live weight of slaughter hogs ranges from 180 to 225 pounds. Considerable quantities of sausage are put up in cans (Vienna style). Lamb casings imported from the United States are used. The hog skins are exported to the United States. The salt removed from hides when prepared for shipment is sold for livestock feeding.

Venezuela has a meat-eating population, but, as stated heretofore, the average consumer prefers freshly killed meat. It is believed, however, that refrigeration of meats will eventually be used. The American oil companies' commissaries, for the most part, have ice boxes and refrigerated-meat display cases. The native population is receptive to North American methods, and it would seem that there might be a tendency toward the chilling and aging of meat. With this will come the cutting of meat in accordance with the practice followed in the United States. Retail butchers in municipal markets pay little attention to cutting of meat in a definite way according to cut. It is just as likely to be cut with the grain as across it. Accordingly, a piece of meat of fair quality may be made less tender and palatable by improper cutting.

THE FUTURE OF THE CATTLE INDUSTRY

The present Ministry of Agriculture is making a sincere effort to aid farmers and livestock breeders. It has established about 12 animal-husbandry experimental and demonstration farms, and provision has been made for several others (figure 6). At these field stations, cattle-breeding operations to develop new crossbred types, possessing greater adaptability to local conditions than the strictly purebred breeds, are well under way. Valuable forage-crop-production studies are likewise well established at these stations.

In August 1938, the Ministry of Agriculture imported a sizable shipment of purebred livestock from the United States. Good specimens of the following breeds of cattle were included; Holstein, Ayrshire, Brown Swiss, Shorthorn, and Hereford. Likewise, several breeds of hogs were imported. Another shipment, consisting of 43 Hereford cattle (6 heifers and 37 bulls) and a similar number of sheep, arrived from Texas in April 1939. Since then several additional shipments of horses and cattle have been imported.


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The imported dairy cattle for the most part have been distributed among the field stations at Maracay, San Juan de los Morros, San Carlos, and Caracas. The Hereford cattle are being used at Maracay, San Juan de los Morros, San Carlos, and San Fernando de Apure. The swine work has been confined largely to the Maracay station, where excellent equipment has been provided. At most of these field stations very little grazing land is available; accordingly, for the most part cattle are confined to small areas and fed soiling crops produced on irrigated fields.

Brown Swiss and Red Polled cattle are very popular for crossing with the native cow for the development of an improved type adaptable to the country. It is the intention of the Venezuelan Ministry of Agriculture to keep the bulk of the imported stock at its animal-husbandry field stations and develop crossbred types with the native stock that will be capable of coping with environmental conditions common to most farms and ranches.

#### INSECTS AND PARASITES

The vast llanos must be considered as a range-cattle country, but one offering many obstacles to successful beef production. The tick problem naturally is a very serious one, just as it formerly was in southern United States. A more serious pest, however, is the *Dermatobia hominis*, commonly called *gusano de monte*, *nuhe*, and *torsalo* in various countries. This pest is a fly found from Argentina to Central America. The fly lays its eggs on the abdomen of the mosquito. The eggs hatch into larvae on the mosquito in about 7 days. After hatching, the minute larvae pass from the mosquito to the cow or other animal and enter the hide immediately, usually through the hole punctured by the mosquito. The larvae go through several stages in the flesh under the hide, reaching, when full-grown, the size of the warble fly common in many sections of the United States. The larvae then drop to the ground, where they soon change into flies.

The difficulty in controlling a pest of this kind is readily seen. The destruction of either the mosquito or the fly itself must be accomplished, which seems at this writing almost an impossibility. It is a problem that must be worked out through careful research by the entomologist and parasitologist. The finding and introduction of another parasite or insect that would prey upon the fly or the mosquito and yet not molest livestock might be the solution. The solving of this problem would be of immeasurable value to the cattle industry from central South America to Mexico.

The writer, in traveling through the llanos, observed thousands of cattle whose hides were literally covered with swellings caused by the larvae underneath (figure 7). The pest is naturally most troublesome in the more humid sections of the country. Though the sections of the llanos back from the streams are exceedingly dry during the dry season, usually from September to April, they are very wet from May through August; so no section is free from the pest for any length of time.

In small herds, where the cattle can be seen and handled daily, the larvae can be removed by the application of a heavy grease applied over the seat of infection. The heavy grease tends to smother the larvae, causing them to leave the

animal for air. When they come in contact with the grease, they are killed. If the grease is properly applied, the larvae are usually expelled in the course of a couple of hours. These larvae infest man as well as beast. As they often penetrate to a depth of an inch or more, they have been found difficult to remove by surgery. This simple method of using a heavy grease, or placing a piece of fat salt pork in the case of humans, over the wound or point of infection is very effective.

Fig. 7. Native calves - highly infested with larvae of the fly *Dermatobia hominis*.



It is reported that there is an area south and west of Maracaibo that does not have this fly. If this is the case, some research in that area to determine just why the pest is nonexistent there might be undertaken. Possibly there already exists in that locality an insect or parasite that destroys the *nuche* and does not prey upon livestock. As a basis for research work, it would be desirable to develop and enlarge facilities for veterinary training.

Ticks may be controlled by dipping at regular intervals. The value of keeping tick infestation under control is well demonstrated at the animal-husbandry field experiment station. Complete tick eradication is something for the future; but, until a systematic program can be carried out for a specific area and protection can be assured against further infestation, the tick should be kept under control with the degree of infestation maintained at a low level.

#### GRAZING CONDITIONS

The Venezuelan climate cannot be changed and little can be done on a large scale in the way of range improvement through the introduction of new or improved grasses. Improvement of grazing conditions is therefore a question of making the best use of the range through employment of better management practices.

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Scarcely any information is available on the grasses of the *llanos*. To judge from the appearance of cattle in the open sections during the dry season, the forage is low in nutritive quality. Cattle in these areas then confine their grazing to recently burned-over areas. As in most other countries, the sections of the range offering the best possibilities are overgrazed. During the 4-month wet season, grazing becomes scarce, since vast areas are literally flooded and cattle must of necessity confine themselves to the limited areas not under water. Losses during the wet season are extremely heavy. During the first few months after the water recedes, the remaining cattle improve in flesh, and the surplus is marketed usually from October to January.

Transportation from the interior of the *llanos* is another problem. The Government abattoir at Maracay draws from the central section, and Maracaibo from the western section. Considerable numbers of cattle from the southern sections of the *llanos*, adjacent to the Orinoco River, are transported by boat to Trinidad, French Guiana, the Barbados, Martinique, and Curaçao.

With but few exceptions, nature is depended upon for the water supply. A few ranchmen, however, have drilled wells, erected windmills, and built watering troughs and dipping vats. It is believed that good water for stock can in many instances be obtained at a reasonable cost by drilling wells.

Certain types of range are better for maintaining steers, whereas other types are more suitable for breeding cattle. It is usually desirable to separate breeding cattle from steers and keep them on the more open types of range where they can be observed frequently. Steers can be handled in the wooded or brushy areas where it is more difficult to handle breeding cattle. On most large ranches there are certain sections or areas having grasses more suitable for fattening than for growing. Steers intended for market should have the fattening types of range.

Improved grasses, such as Guinea, Para, Napier, Guatemala, Natal, and Rhodes, can be grown on fertile well-watered areas, but usually suitable conditions are found only in small valleys close to streams. The time is probably not opportune for planting of such grasses in the *llanos* country on a large scale.

Avoidance of overgrazing and burning of the range would improve the Venezuelan range considerably. The rate of stocking should be controlled or governed by the number of cattle that could be carried safely through the average wet season. On most ranches during the wet season when it becomes necessary for the cattle to be confined to rather limited areas of grazing land above the water level, the shortage of feed causes heavy death losses. The development of water supplies by wells and windmills in the drier sections would make possible a greater use of vast areas of the *llanos* during the dry season.

RANGE MANAGEMENT

Continuous burning of the range has probably been responsible for the poor quality of plant growth in the range country. There may be times and conditions that

justify burning, as when there is a dense, tall growth remaining from the previous season that can be burned while the ground is wet without destroying the new grass just starting to grow.

The general quality of the herds has been retarded by failure to segregate yearling heifers from the bulls and by allowing them to be bred before they are 1½ years old. To do this would require the fencing of pastures. Fencing of sizable tracts for different kinds of pasture would also aid in handling cattle for branding, marking, and dipping.

The herds show the results of neglecting the number and type of bulls used in beef production. On most of the large ranches, hundreds of inferior bulls, many showing dairy breeding, are in use. One rancher reported having 14,000 cows; and, when asked how many bulls he was using with these cows, he replied, "There are just as many bulls as cows." There is a tendency to use dairy bulls, particularly Holsteins, in many range herds kept principally for beef production, because nearly every rancher makes some cheese. It would be much more desirable to select the best milking cows and keep them apart as dairy cows, breeding them to a bull of dairy breeding.

DEVELOPMENT OF NEW BREEDS

The results from the use of improved beef-bred bulls by the animal-husbandry experiment stations should be fruitful in the course of a few years through the demonstration of the value of crossbred types for different locations. At the present time, few realize the value of herd improvement. The native cow (*Criollo*) is an excellent foundation animal upon which to build crossbred types that should be highly adaptable to Venezuela. These native cattle are extremely hardy; and hardiness is a necessary characteristic, particularly in the tropics where, as a rule, insects and parasites are more prevalent than in the Temperate Zone, and where high temperatures prevail. They are, on an average, larger in size than the native cattle in southern United States and possess better conformation and heavier skeletal development, which indicates that there are no serious phosphorus or calcium deficiencies.

Zebu blood has been used rather extensively throughout Venezuela for many years (figure 8). The introduction of this blood has increased the size of the cattle somewhat and possibly made them more resistant to insects and other external parasites. Observations made by the writer indicated that cattle carrying Zebu blood had fewer ticks on them and showed less infestation of the larvae *muche* or *torsalo* than cattle of other breeding.

Though Afrikander cattle have not been given a trial in Venezuela, observations of this breed under very unfavorable grazing conditions in tropical and semi-tropical localities of South Africa and in the Gulf Coast region of the United States indicate that the breed would be highly adaptable to conditions in Venezuela. Purebred cattle of this breed should do well even in the *llanos*, where the vegetation is rather low in nutritive qualities - provided, of course, suitable drinking water is available.


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Afrikaner cattle introduced into Texas from South Africa in 1932 adapted themselves at once to their new environment. These cattle have demonstrated their superiority in adaptability to adverse grazing conditions such as prevail during severe droughts in the Southwest. Under conditions of this kind they have subsisted when most other breeds have required supplemental food for existence. This breed transmits its red color with a high degree of certainty. As a rule, animals of this breed are docile and thus are desirable for draft purposes. These characteristics should make them a promising breed for trial in Venezuela and other South American countries having a similar environment.

In developing improved types, the *Criollo* cows and native cows showing a trace of Zebu breeding might well be used as foundation females, with bulls possessing not more than one-half Zebu or Afrikaner breeding and one-half Shorthorn, Hereford, or Aberdeen-Angus breeding used with these cows. The crossbreeds resulting from these matings would possess sufficient hardiness and a more beefy conformation than the native stock.



Fig. 8. High-grade Zebu cows. Though it is slower and more expensive to introduce Zebu blood through the females than the males, the crossbreeds resulting are generally superior, being better milkers and accordingly better mothers than the native (*Criollo*) cows.

Cattle imported for breeding purposes should come from a locality having environmental conditions as nearly similar as possible to those to which they are to be subjected in their new home. To import cattle from areas having a much more favorable environment is almost certain to result in failure. A sound policy is to improve the native cattle by breeding them progressively up to the environment, rather than to attempt to use stock suited only to much superior conditions and breed them down to a lower environmental level.

In connection with the use of imported bulls at Government experiment stations, probably not more than two breeds, and preferably only one, would be used at any one station in cross-breeding experiments with the native cows. To handle

more than one cross-breeding project at a single station greatly complicates the work. Results of one well-conducted long-time project at one location would undoubtedly be more valuable than those resulting from a number of projects, which could hardly have the same degree of attention.

The results obtained at one station could be compared with those at another, provided the experiments were standardized at each station. A very accurate measure of performance of the crossbreds produced at the several stations could be obtained by assembling a representative number of each at one central station, possibly at Maracay, and subjecting them to the same type of a growing or fattening test for a period of possibly 6 months after weaning.

The animal-husbandry experiment stations seem to be well equipped for the development of new crossbred types of cattle. It is believed that if these stations were conducted as Government breeding studs and surplus breeding stock of approved crossbred types were made available to private breeders by purchase or otherwise, a great step would be made toward the betterment of the Venezuelan cattle industry.

RECENT DEVELOPMENTS  
IN  
FOREIGN AGRICULTURAL POLICY

539

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ARGENTINA SUSPENDS WHEAT AND FLAXSEED PRICE GUARANTY

The minimum-price guaranty by the Argentine Government for wheat and flaxseed, reinstituted under the executive decree of November 14, 1938, came to an end on September 6, 1939, when an executive order called for the suspension of operations, according to a report received in the Office of Foreign Agricultural Relations from the American Embassy in Buenos Aires. The suspension was the direct result of forces brought into being by the present European conflict. The first period of guaranteed minimum prices covered 3 consecutive crop years from November 1933 to January 1937. The minimum prices of the second period were applicable only to the 1938-39 crop.

Under the recent guaranty of minimum prices, suspended on September 6, the prices fixed by the Argentine Government were 7 pesos per quintal (60 cents per bushel) for wheat and 13 pesos (\$1.03 per bushel) for flaxseed, f.o.b. Buenos Aires. No guaranteed minimum price was fixed for corn. Under the minimum-price system growers were free to sell their crop in the open market, the Government agreeing, however, to purchase all of the wheat and flaxseed offered to it at the guaranteed prices.

A Grain Board was set up to make purchases for the Government. Funds for financing purchases and for defraying any losses sustained in connection with subsequent sales by the Board were met by the profits realized by the Argentine Government in its purchase and sale of foreign exchange.

During the 1938-39 crop and marketing year, flaxseed prices remained above the guaranteed minimum fixed by the Government. As a result, the Board was not called upon to make purchases of that commodity. But the market price of wheat, for the most part, remained below the established minimum, at times being more than 2 pesos (17 cents per bushel) below the Government guaranteed minimum of 7 pesos per quintal. Nearly all of the 1938-39 wheat crop sold by farmers was purchased by the Grain Board.

After the outbreak of the war in Europe, speculation on the Argentine Grain Exchange carried wheat prices to 7.95 pesos per quintal (67 cents per bushel) on September 5. In the decree suspending the minimum prices for wheat and flaxseed, the Government pointed out that wheat quotations in the futures market did not reflect the real value of the grain and that a continuation of the guaranteed prices would lend support to speculation. The decree further stated that during the 10-month period in which the Board had been operating, farmers who were not interested in speculating for higher prices had had ample opportunity to dispose of their wheat to the Board at the guaranteed minimum price. It was also pointed out that, in

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spite of the enormous stocks of wheat held by the Grain Board, export sales by the Board had been negligible for several days, although its selling price was considerably below the guaranteed minimum price paid to growers. Reports indicate that wheat sales by the Grain Board this season have been made at prices as low as 4.25 pesos per quintal (40 cents per bushel), f.o.b. Buenos Aires.

In no year since 1933, when the guaranty to farmers of minimum prices for grain was first established, has the Grain Board been compelled to buy so much wheat as during this year. This is attributed to the fact that the 1938-39 crop of 336 million bushels was the largest since that of 1928-29, and to the disparity between the guaranteed minimum price and the export price. Very little wheat has been sold by farmers except to the Grain Board, and it has been difficult for the Board to accept all the wheat offered to it because of the slow export movement and the inadequacy of available storage facilities.

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NETHERLANDS INDIES RICE POLICY

Announcement was made in the *Bataviaasch Nieuwsblad* on May 12, 1939, that the Netherlands Indies Government had adopted a new rice policy, according to a report received from Vice Consul Marselis C. Parsons, Jr., at Batavia. The dual objective of the new policy is to support the general price level for domestic rice and to assure a constant supply of rice to those regions of the Indies where insufficient quantities are produced to satisfy requirements.

An agency, known as the Victuals Fund Commission, was set up to work out the dual problem involved under the new policy. A director of the Javasche Bank, a director of the Royal Packet Navigation Company (the interisland steamship line), and the head of the Bureau of Trade of the Department of Economic Affairs were appointed members of the Commission.

Taking immediate action, the commission bought up large quantities of rice in eastern and central Java, thereby holding the price between 2.90 and 3.25 florins per quintal (between 70 and 79 cents per 100 pounds), the margins set by the Department of Economic Affairs as representing fair returns to millers and growers. At least 55,000 short tons was purchased during June. This rice, for the most part, was retained in Java for shipment to those districts that might later experience shortages. Plans call for the accumulation of 220,000 tons in various centers of the archipelago.

Particular attention has been devoted to the creation of reserve stocks on the east coast of Sumatra, southeastern Borneo, and northern Celebes. All of these districts are incapable of raising sufficient rice for local demands and must import supplies from other parts of the Indies or from Indochina or Burma.


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In all districts, stocks sufficient to satisfy ordinary quarterly demands are to be held by local dealers and wholesalers, who will receive compensation from the Government. Initial estimates of Government investment in supplies and storage facilities amount to 1,300,000 florins (approximately \$1,000,000).

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BRITISH FOOD PRODUCTION CAMPAIGN UTILIZES GARDEN PLOTS

British householders are being urged to assist the food-production campaign by cultivating garden plots, according to a report received in the Office of Foreign Agricultural Relations from the Assistant Agricultural Attaché at London. A drive has been started by the Ministry of Agriculture to increase immediately the number of garden plots or "allotments" in England and Wales by at least 500,000.

In a recent radio broadcast the Minister of Agriculture observed: "We are launching a nation-wide campaign to obtain recruits to the ranks of the country's food producers. Half a million more allotments properly worked will provide potatoes and vegetables that will feed another million adults and a million and a half children for 8 months out of 12."

Under the authority granted by the National Defense Act, the Ministry of Agriculture has wide powers to take possession of uncultivated land for such allotments. A considerable amount of land is already available for that purpose under the control of local authorities. In fact, land has been obtainable for the past 50 years under a number of private and public schemes for general charitable purposes for supplementing farm laborers' income, and more recently as a means of unemployment relief.

During the World War such special allotments or garden plots were extensively cultivated in the smaller towns and suburban areas as a means of increasing food production. In 1920, about 1,330,000 allotments were being cultivated. Their popularity subsequently declined, however, and at present there are probably less than 900,000.

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#### IRELAND TO EXPAND FOOD PRODUCTION

With a view to increasing food production in Ireland, all farmers operating holdings in excess of 10 acres must have at least 12½ percent of their land under cultivation next year, according to a report received in the Office of Foreign Agricultural Relations from the Assistant Agricultural Attaché at London. Under the terms of the scheme, announced recently by the Irish Department of Agriculture, acreages of the ordinary tillage crops, such as cereals, potatoes, root crops, flax,

fruits, and vegetables, will be regarded as land under cultivation, but lands in first or second year rotational grass, whether mown or grazed, and orchards under grass will not be considered as tilled.

Land sown before next January with winter wheat, oats, or rye will qualify for cultivated land under the terms of the order. Certain exemptions to the Government order will be permitted if it can be shown that the use of the land for purposes other than tillage better serves the national interest. In a radio broadcast appealing for increased agricultural production, the Irish Minister of Agriculture said that despite efforts made during the past 7 years to increase domestic production, particularly of cereals, Ireland was still greatly dependent on imports.